



Official Development Assistance: The Case of Nine New EU Member States

*A comparative examination of the role of trade, the private sector,
and civil society in international development assistance*

Official development assistance framework of the countries under scrutiny

From recipients to donors

This publication examines the overall Official Development Assistance (ODA) of nine countries of Central and Eastern Europe (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, Slovakia, and Slovenia) which acceded to the EU in 2004 and 2007 respectively.

The countries on which this report focuses are all post-Communist states which, in the past 20 years, have undertaken deep political, economic and social transformations. In the transition period they were recipients rather than providers of ODA.

However, the transition to the "new donors" group did not occur for all of them simultaneously. Some countries, such as the Czech Republic and Hungary, started ODA activities relatively early, i.e. in the mid-1990s, largely due to their accession to the Organisation for Economic Co-operation and Development (OECD). Others, such as Romania and Bulgaria, remained on the recipient side until the very moment of their EU accession in 2007. Thus, the countries do not represent a homogeneous group and their track records of delivering ODA vary greatly, as will be illustrated further.

These countries' experiences of delivering development co-operation also vary in another aspect. Some countries in the group, especially Poland, Hungary, and the Czech Republic and Slovakia (formerly Czechoslovakia), acted as development co-operation providers during the communist period.

This assistance was provided in a different context: it was aimed mainly at developing countries such as Cuba, Vietnam, Cambodia,

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Mongolia, Angola, and other communist regimes or regimes inclined thereto, and the Cold War context was the main determinant of such aid.

Although this development aid vanished after the fall of communism, these countries have nevertheless established a certain reputation as aid providers, including a track record and a network of contacts. This makes it somewhat easier for them to engage once again in the poorest regions of the world, especially in Africa or Asia.

On the other hand, countries such as Estonia, Latvia, and Slovenia do not have extensive experience with aid provision, as this policy was centralised (either at the USSR or Yugoslavia level), and thus they have largely had to build up their development policy from scratch.

Difficulties in meeting international commitments

By joining the European Union, all the countries in this report undertook certain commitments with respect to the EU development co-operation framework, as enshrined in the European Consensus on Development, adopted in 2005.

Because many of the countries had not yet completed the transition from aid recipients to donors and were still in the “catching up” phase in comparison with more established EU members, the commitments required of them were formulated more leniently, obliging them to strive for an ODA to GNI (gross national income) ratio of 0.17% by 2010 and 0.33% by 2015.

None of the countries examined have managed to meet this obligation, although some of them are faring better than others, with Slovenia (0.13%) and the Czech Republic (0.125%) coming closest to the target ratio in 2011. This failure to meet the commitments is usually explained by the economic downturn of 2008/2009. As a result, all the governments in the region decided to cut their development budgets, exploiting the fact that ODA represents the least sensitive area for their electorates.

This situation is now slowly ameliorating as economic performance improves. For instance, the Czech development co-operation strategy adopted in 2010 pledges to raise the development budget by 0.01% of GNI on a yearly basis. Nevertheless, the Czech Republic is failing to fulfil this commitment.

The rising importance of multilaterally provided assistance

Another important implication of the new donor countries' accession to the EU is the fact that they had to start contributing to the EU and international (United Nations, World Bank) instruments of multilateral development co-operation, especially the European Development Fund, which is decoupled from the general EU budget. As the overall amount of funds for development co-operation is limited, this has largely resulted in a huge rise in the multilateral ODA proportion of development budgets and a respective drop in the proportion of bilateral ODA.

For instance, while Hungarian bilateral ODA represented 51% in 2004, its proportion in the Hungarian development budget in 2011 was a mere 24%, and in 2008 an even smaller 14%. In the case of some countries, contributions to multilateral ODA account for as much as 90% of development budgets, such as in Latvia. The Czech Republic channels around 30% of its development budget through bilateral aid, the highest proportion from the countries examined. Slovakia, Hungary, and Poland also maintain a relatively high proportion (Slovakia 25%, Hungary 24%, Poland 22%).

As much as multilateral assistance stems from international obligations, the countries have to keep in mind that bilateral ODA leaves them with greater room for manoeuvre in terms of where the aid is directed, thus maximising the added value of each donor country's experience and know-how.

Nevertheless, multilateral contributions are predominant in all the countries of the region.

Institutional and programmatic framework still in the making

Central and Eastern European countries have also had to create a legal, institutional, and strategic framework which would facilitate their assumption of the new donors' role and enable full participation in development co-operation policy. The general pattern is that the countries with a longer tradition of ODA provision usually have a better institutional and programmatic framework to deliver development co-operation and most of the necessary instruments, including strategic as well as individual programmatic documents, already in place.

In all the countries examined, the Ministries of Foreign Affairs (MFAs) assume the major co-ordinating, strategic and programmatic role when it comes to development co-operation. However, the execution of development policy is often fragmented, with different line ministries or other agencies exercising important roles in terms of setting priorities, approving projects, and disbursing funds. This certainly poses huge challenges to the overall coherence, co-ordination, strategy-setting, and evaluation and monitoring of development aid.

In some cases, however, steps have been taken to centralise policy-making and limit the role of line ministries, which is a practice common in long-established donor countries. The Czech Republic has probably gone farthest in this respect, limiting the role of line ministries to only the provision of scholarships by the Ministry of Education and the administration of some 15% of bilateral international development co-operation by 2013.

Two of the countries examined – Czech Republic and Slovakia – have established a special development agency charged with the implementation, monitoring and evaluation of bilateral development programmes and projects – a practice also common in more established donor countries.¹ In the case of Poland, the Polish Foundation for International Development Co-operation can be charged with rather

limited tasks in implementing certain projects and initiatives related to democracy promotion and sharing of the Polish transition experience. Another similar decentralised system was introduced in Slovenia, where the execution of some development projects can be devolved to four foundations, functioning at arm's length from the MFA.

Central and Eastern European countries have largely introduced multi-annual strategies and programming, which is in line with OECD recommendations and international best practices and which should deliver greater effectiveness by clearly articulating geographical as well as thematic priorities of development co-operation.

In the case of Hungary, however, such a comprehensive development co-operation strategy is missing, which is quite surprising given Hungary's rather long track record as a donor country compared to most of the other countries of the region.

In the case of Bulgaria, the legal framework for programming is in place, but the documents are still in the drafting process. Similarly, in the case of Romania, the development strategy dating back to 2006 is considered obsolete by many stakeholders. Moreover, the Council for Development Co-operation, which should enhance the coherence of development policy at a national level, has not been put in place.

Geographical focus mainly on Eastern Europe and Western Balkans

The design of development policy strategy goes hand in hand with the challenge of defining which geographical areas and territories should be targeted.

For an absolute majority of the nine countries, the focus lies either on Eastern Europe (countries covered by the so-called Eastern Partnership: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) or on the Western Balkans.

¹ Czech Development Agency (CRA) and Slovak Agency for International Development Co-operation (SAMRS).

This policy is explained by several factors: historical and existing political, economic and social ties, previous experience operating in the region, and cultural and linguistic proximity, all of which make delivery of development assistance easier and more effective.

This, however, poses at least two challenges. The first is a risk of duplication of development co-operation delivery. For instance, Moldova features as a priority country for all the CEE countries bar Hungary. Similar overlaps can be found in the case of Ukraine, Georgia, Serbia and other Western Balkans countries. The risk of duplication becomes even more apparent when taking into account the fact that the thematic priorities of the Central European countries' ODA are also similar, as will be explained in the next section.

The question is thus whether it would make sense to somehow co-ordinate a better division of labour among the donor countries. Although the development co-operation policy framework is created at the national level, and it is naturally in the recipient countries' interest to be targeted by as many donors as possible, the actual outcome can be counterproductive, and perhaps more could be achieved by better focused bilateral co-operation from fewer donors.

The second challenge stems from the fact that the recipient countries of the CEE group are usually upper or lower-middle income countries, not the least developed countries. The new donor countries' activities thus seem to go against the spirit of the European Consensus on Development, whereby the EU should prioritise the least developed and lowest-income countries and redirect aid especially to Africa.

Currently, very few countries from the region provide development aid to the least developed (lowest-income) countries, except for Poland, Hungary, the Czech Republic, and Slovakia.²

² Ethiopia and Afghanistan are programme countries of Czech bilateral ODA, Kenya is a recipient of Hungarian ODA, Poland has as bilateral geographical priorities a bunch of low-income countries in East Africa (Ethiopia, Kenya, Somalia, Rwanda, Uganda, Tanzania, Burundi), and Ethiopia, Kenya, and South Sudan are priority countries of SlovakAid.

Afghanistan is an exception.³

In the case of Hungary in 2011, as much as 37% of bilateral ODA went to Serbia, which is an upper-middle income country. By far the largest cumulative recipient of Polish bilateral ODA in the 2007-11 period was China, which also belongs among the upper-middle income economies.

Although it can be argued that this consideration is somewhat less important in light of the relatively small proportion of bilateral ODA in the overall development budget, it certainly represents further food for thought for the Central European countries as to possible reconsideration of their geographic priorities.

An overarching problem of these geographical priorities is that in most cases they are still too broadly conceived, which leaves the rather limited development funds scattered across many different countries with arguably limited impact. For instance, Hungarian bilateral ODA was disbursed across 84 countries in 2010.

Some countries have already opted for a drastic reduction in the number of priority countries, which should lead to greater effectiveness of development aid. The Czech Republic, for example, has reduced the number of programme countries to five (with five other so-called project countries), and decided to phase out development aid to some countries.

Thematic focus on transition experience and transfer of know-how

Apart from articulating geographic priorities, the countries of Central Europe have also had to define, in line with OECD recommendations, the thematic focus of their ODA, maximising

³ Afghanistan features as an important recipient of ODA among many of the Central and Eastern European countries. However, this is largely linked to these countries' participation in international civilian missions in the country or their presence in provincial reconstruction teams, which is also reported as ODA. This somewhat distorts its picture as a systematic recipient or priority of ODA.

their expertise and added value. All of the countries surveyed agree that special added value rests in their specific experience related to economic, political, and social transition. Thus, this “soft” know-how in areas such as education, capacity-building, training, and technical assistance constitutes the core priority of their development aid.

Different countries accentuate different aspects of development aid, e.g. in Estonia the creation of e-governance, in Slovenia women’s empowerment, and in Bulgaria post-conflict reconstruction.

However, some countries have also identified so-called “hard” thematic priorities related to their expertise in areas including water management and sanitation (Czech Republic, Slovenia, Bulgaria), agriculture (Hungary, Czech Republic), or economic development and infrastructure (Czech Republic, Bulgaria). The “hard” thematic priorities often stem from previous engagement in such activities in developing countries, and are thus more visible and present in the cases of countries that have already been development aid providers for some time (particularly the Czech Republic).

1. The development of trade relations with priority recipient ODA countries

THE CURRENT STATE OF BILATERAL TRADE AND APPLIED TRADE REGIMES WITH ODA RECIPIENT COUNTRIES

Since their accession to the EU, the countries of Central and Eastern Europe generally possess very little leverage regarding the trade regimes applied to recipient countries. This is due to the fact that, as members of the EU, they are obliged to follow the trade policy set at the EU level.

The only way that the CEE countries can influence such trade regimes is through their membership in the EU and through the respective decision-making structures, especially the EU Council. In general, the EU has long acted as a champion of free trade on the international scene, not least because it constitutes the largest trading bloc in the world and views trade liberalisation as an important incentive for economic development.

Different types of trade regimes with recipient countries

The huge variety of recipient countries considered in this study is also reflected in the different types of trade regimes that apply to them.

For those recipient countries that are already members of the World Trade Organization (WTO), trade is regulated mainly within the framework of that organisation, of which all the CEE countries are also members. However, depending on their relation to the EU, they can – and often do – enjoy preferential trade relations that go beyond the WTO obligations in terms of mutual trade liberalisation.

Some of the recipient countries have concluded, or are in the process of negotiations towards, free trade deals with the EU. Such agreements provide for the free movement of merchandise without tariffs and quotas, thus practically liberalising mutual trade. As a form of protection for the recipient countries’ markets, it is often agreed that trade will be liberalised asymmetrically, providing for a faster removal of tariffs and non-tariff barriers on the part of the EU. This clause is typical of the association agreements between the EU and its southern neighbours, and of the Stabilisation and Association Agreements between the EU and the Western Balkans countries.

Most of the countries of the Eastern Partnership are in the process of negotiating Deep and Comprehensive Free Trade Area Agreements (DCFTAs) that will provide for the removal of tariffs and non-tariff barriers to access to the

EU market and should also substantially boost mutual trade between donor and recipient countries.

Those developing countries that have not concluded any free trade or similar agreements with the EU generally enjoy preferential access to the EU market through reduced tariffs (Generalised System of Preferences) or zero tariffs (GSP+ for countries that respect core human rights). In relation to the least developed countries, the so-called "Everything but Arms" regime is in place, providing for tariff- and quota-free access to the EU market.

The research undertaken in the countries in this report⁴ has shown that most stakeholders are generally happy with the current framework of trade relations with the recipient countries. As many of the recipient countries fall into the category of those who have already concluded or are in the process of concluding free trade agreements, trade is already liberalised and relatively little more can be achieved in terms of removal of the remaining tariff and non-tariff barriers.

However, there are other important elements that can foster mutual trade, which recipient countries have more scope for influencing.

Little correlation between bilateral trade and provision of development assistance

The research has demonstrated that there is relatively little evidence that the provision of development assistance to a particular recipient country is substantively reflected in the volumes of mutual trade.

Most recipient countries are relatively unimportant in the donor countries' trade structure. This is so even for neighbouring or geographically close recipient countries, and can be explained mainly by the different structure of their economies. Most of the trade of

CEE countries takes place within the EU single market or with other developed economies.

Although in many cases mutual trade indeed surged after EU accession, this is likely due more to the good economic performance of the donor countries, who increased their export capacity by attracting more foreign direct investment (FDI), as well as to the generally low baseline of trade exchange with recipient countries. As a result, the mutual trade balance often plays in favour of the donor countries and exhibits large surpluses on their part.

The drop in trade turnover seen in many cases after 2008-09 illustrates that mutual trade with recipient countries depends more on global economic trends (economic and financial crisis) than on changes in development policy.

One notable exception to this trend is Afghanistan. Development assistance to this country is usually linked to the donor countries' participation in peacekeeping and post-conflict operations. The donor countries (in our research, particularly the Czech Republic and Latvia) have exported products in support of these missions (such as vehicles, technical equipment, medicine and food), which has distorted the trade pattern. The phasing out of the missions in Afghanistan is likely to result in the level of exports dropping again.

The improvement of mutual trade is also hampered by political, economic and regulatory instability in the recipient countries. Import substitution schemes are also factors discouraging business for countries like Latvia with, for instance, Ukraine and Belarus. Not all Central European countries have a framework of export support that would provide their companies with incentives as well as guarantees (e.g. export risk insurance) to penetrate new markets such as the ODA recipient countries.

While such a system is essentially in place in countries such as the Czech Republic or Hungary, in other countries export support schemes are missing altogether. But even in the cases of countries with elaborate export strategies or export support schemes, certain challenges prevail. For instance, Czech export

⁴ For all the country reports, see www.ced.bg and www.pasos.org

support institutions have a limited budget and do not specialise in supporting export to ODA recipient countries, leaving a missing link between trade support and development co-operation.

Other trade-related activities

All the country reports noted that not only do the trade regimes themselves contribute to the economic development of the target countries, but so do other related issues such as economic co-operation treaties, agreements on protection of investments, and agreements on the avoidance of double taxation, FDI, technical assistance related to aid for trade activities, etc.

Trade treaties are in many cases residual contracts concluded with the developing countries in the past, often even during the Communist era, and in that respect it is doubtful whether and to what extent they contribute to economic development, given that the donor countries have concluded such agreements with a plenitude of countries, not only ODA recipient ones.

FDI thus seems to present a better opportunity for enhancing economic development in recipient countries. The investment creates jobs, thus helping to alleviate poverty and also, by creating production capacities, generating a more diversified export base in developing countries.

However, Central European countries are still largely capital recipients rather than investors abroad, even though some notable exceptions can be discerned.

Slovenia is one of the most important investors in the Western Balkans countries in various segments of the economy, and the Czech Republic features among the most important investors in Georgia, particularly in the energy sector. Slovenian investments in four Balkan countries (Serbia, Bosnia and Herzegovina, Macedonia, and Montenegro) accounted for 42% of outward Slovenian FDI in 2011.

But the Slovenian case represents an exception rather than a rule. In terms of the overall level of investments originating from the CEE EU members, those directed to their ODA recipient countries are still much smaller than those directed towards developed countries. Moreover, in all the countries examined, practically none of the investments were directed to the least developed countries but rather to the middle-income economies of the Western Balkans or Eastern Europe.

All the country reports indicated that investment in recipient countries is often discouraged by the poor institutional, legal and entrepreneurial framework, unpredictable and susceptible to change, and messy tax legislation. Political instability, coupled with generally high levels of corruption and nepotism, is another important factor which diverts the attention of potential investors.

In this respect, the countries of the Western Balkans and the Eastern Partnership probably provide better opportunities for Central and Eastern European investors. The EU accession process and the Eastern Partnership framework, which includes negotiating and concluding DCFTAs, make it more likely that such issues will be addressed and the regulatory framework of these countries will be more stable, thus attracting more FDI from Central and Eastern European countries.

Aid for trade

In most cases, aid for trade does not constitute an important element of Central and Eastern European countries' development strategies, and is viewed as a top-down process due to evolving policy at the EU level, with which the new donor countries must comply.

However, due to the fact that the CEE countries had to undergo a similar process of induction into world trade, the sharing of experience relating to integration into international trade can represent an important added value in these countries' development policies.

We can find several examples of projects or initiatives that can be classified as aid for trade, both in its narrow and wide sense, e.g. Hungary organised several roundtables convening representatives of the Central European Free Trade Agreement (CEFTA) and dealing with the issue of elimination of non-tariff barriers. Romania launched an initiative aiming at the establishment of chambers of commerce in the Western Balkans region, although this project has been put on hold.

Poland implemented quite a few projects falling within a narrow definition of aid for trade (i.e. concerning trade policy and regulations and trade development) between 2006 and 2009. However, since 2010, no pure aid for trade projects have been supported by the Polish BDA.

The main challenges relating to aid for trade activities in the new member states are twofold. The first is that aid for trade still represents an extremely small portion of ODA budgets, which – as was already explained earlier – are already rather limited in the CEE countries.

But possibly even more important is the challenge of incoherence. CEE countries often possess valuable expertise which can indeed contribute to recipient countries' development of trade relations and integration into international trade. But the link between the development policy framework and trade is often missing. The relevant authorities often do not realise the importance of building institutional and legal frameworks, and the private sector is virtually unaware of the scheme. Thus, aid for trade is often perceived as a way of delivering technical assistance in this particular area rather than as a part of development policy.

2. The private sector as an actor in international development co-operation

This part of the research project examined the role that the private, for-profit sector plays in the provision of development aid and, more broadly, how it contributes to the achievement of development co-operation policy goals and objectives in the case of nine countries of Central and Eastern Europe: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, Slovakia, and Slovenia.

Among established development aid providers, the role of the private sector in development co-operation is already taken as a matter of fact - in spite of the traditional suspicion of the private sector's participation in development assistance as a way of advancing particular business interests, rather than contributing to the development of poor countries. Indeed, many key international documents such as the Paris Declaration on Aid Effectiveness of 2005, the Accra Agenda for Action of 2008 and the United Nations Global Compact of 2000 acknowledge the need for business sector involvement.

In the United States, for instance, the Official Development Assistance (ODA) provided by for-profit companies amounted to US\$ 7 billion, roughly one-quarter of the ODA provided by the US government. In other Western countries, the direct contribution of the for-profit sector as a proportion of overall ODA might be smaller, but is nevertheless still significant in comparison with the involvement of the business sector in the Central and Eastern European (CEE) countries.

The research looked at the role of the private sector from two perspectives. One angle of analysis was the role of the private, for-profit sector in contributing to the broader goals and objectives of development co-operation policy, looking at the activities of companies

from Central and Eastern European countries in ODA recipient countries and their links to development policy aims.

The other angle analysed the involvement of the private sector in a narrower sense by examining its role in the formulation, implementation and evaluation of the development co-operation policies of CEE countries and their specific participation in both bilateral and multilateral development projects.

Despite the common methodology used for all the countries surveyed, the individual country reports nevertheless resulted in quite different descriptions of private sector involvement, which makes comparing them a lot more challenging.

While some reports analysed the activities of the business sector in the recipient countries, others focused more on the role and experience of the private sector as a development policy actor in a classical sense. Furthermore, some of the research methods used, especially the questionnaire survey among companies operating in the ODA recipient countries, received a relatively low response rate, which raises questions about the representativeness of their outcomes.

INVOLVEMENT OF THE PRIVATE SECTOR IN ODA ACTIVITIES IN A NARROW SENSE

The research showed that in an absolute majority of Central and Eastern European countries, the role of the private sector in the formulation, implementation and evaluation of development co-operation policy is extremely low, if not non-existent. Only a very few country reports described business sector involvement in the delivery of ODA projects: the Czech Republic, Slovakia, and Slovenia. In other reports, it could not be always discerned whether the activities described as undertaken by the private sector actually accounted for participation in ODA activities and were financed by the (mainly bilateral) ODA budget.

Involvement of the private sector in the programming and evaluation of ODA

When it comes to programming, only the Czech Republic officially involves business in the planning and evaluation of its development co-operation policy. This stems from the fact that the Czech Republic is the only country in the region that has a formal platform of business representatives involved in development co-operation, the Platform of Business in International Development Co-operation.

The existence of such a platform obviously makes it much easier for the Czech government to find a natural counterpart to speak on behalf of the business sector (although primarily, of course, on behalf of its members only) and contribute to the formulation and evaluation of Czech development policy.⁵ The platform also hugely enhances the capacity of its members to gain in-house knowledge relating to development policy and increases the commercial sector's success in bidding for development projects, although mainly in the framework of bilateral ODA.

There have been attempts to establish such a platform in Poland, but they failed as companies were simply not interested in participating.

The questionnaire survey revealed that, in most of the countries, the business sector does not have sufficient information on development policy, pointing to a lack of access to policy documents, and lack of interest and poor communication on the part of public authorities as the main obstacles. But in most cases, companies would be interested to know more about the opportunities presented by the development co-operation framework and by participating actively in shaping it.

⁵ The platform was initiated by three big consortia: the Union of Industry and Transport of the Czech Republic, the Union of Engineering Technologies, and the Association of Czech Railway Industries. It currently has 20 members and enjoys observer status in the Council for Foreign Development Co-operation, the key inter-ministerial co-ordinating body in formulating the strategies and priorities of Czech development policy.

Involvement of the private sector in the implementation of ODA projects

The generally low involvement of the private sector from Central and Eastern Europe in development projects is related also to the particular nature and structure of the development assistance provided by these countries. Compared with the ODA provisions of rich Western countries with more generous budgets, CEE development aid is very limited in size and tends to focus on “soft” projects such as transfer of know-how, capacity building and technical assistance, which are usually executed either by government organisations (in the case of technical assistance) or civil society organisations (in the cases of knowledge transfer and capacity building).

Sometimes, projects relating to capacity building and transfer of best practices are delivered by for-profit companies, such as in the case of Estonia. However, the Estonian example represents an exception rather than a rule, as the for-profit implementers of such projects are performing tasks that would otherwise normally be undertaken by NGOs.

The private sector is more typically involved in “hard” projects – for instance, infrastructure development and the delivery of particular goods or services. These are, however, much more costly and thus not so much the focus of CEE countries’ development strategies. This partially explains why the richer countries of the group with a more established development policy framework, such as the Czech Republic, Slovakia, Hungary, and Slovenia, show a higher degree of private sector involvement in ODA delivery, as they do finance “hard” infrastructure projects which can be delivered by private for-profit companies.

It is striking that Poland, as a big donor in terms of overall ODA volume and a country with a more established development co-operation tradition, does not account for projects that could be contracted and executed by private companies. This might be because private companies often look at maximising their profits and do not see how they could make

development projects profitable. In contrast, this has not prevented companies from participating in development projects in other countries such as the Czech Republic.

Most of the development aid going into infrastructure development and delivery of goods and services is not disbursed in the form of grants but in the form of tenders (based on competition according to the best price offered), which means that private companies can still make a profit if they can perform the tasks more cheaply. This gives further incentives for businesses’ involvement and fosters competition.

An interesting case of incentivising the private sector’s participation in ODA delivery is that of Slovakia, which conceptualised this in a document called *Concept of the Involvement of Business Entities in Slovak International Development Co-operation*. The document presents measures to foster the private sector’s participation in development co-operation, including the provision of start-up funds to finance initial activities in recipient countries, such as assistance in finding local partners, or conducting feasibility studies or business plans for development projects.

Other incentives include the possibility of the establishment of joint ventures with local partners or subsidiaries, as well as the possibility of direct participation in projects commissioned by the Slovak Ministry of Foreign and European Affairs (MFEA).

Although this could appear to be an innovative approach, it is being contested because it provides the business sector with privileged access to ODA funding, as such incentives (especially the start-up programme) are not available to civil society or government organisations. The scheme could also be in breach of the general OECD DAC (Development Assistance Committee) principles, which stress the necessity of decoupling support for the business activities of companies from the donor country from development assistance delivered. For this reason, such an approach was abandoned by the Czech Republic at an early stage.

As for the number and proportion of development projects contracted and implemented by for-profit companies, very little data is available across the region, with the exception of the Czech Republic, Slovakia, and Latvia. In the Czech Republic, the involvement of the private sector is quite robust, accounting steadily for the implementation of 45-55% of bilateral development projects (in terms of funding).

In the case of Slovakia, the percentage is much lower, oscillating between 24-29% since 2007, with the notable exception of 2011, when the percentage fell to a mere 7%. Slovak civil society organisations are thus much more successful and important in delivering ODA projects. The situation in the Czech Republic is more balanced, although businesses tend to implement fewer, but higher-budget, projects – due to the different nature of projects normally implemented by for-profit entities as opposed to those executed by NGOs.

In the case of Latvia, the proportion of business-executed projects accounts for 19% of bilateral ODA projects for the 2005-10 period, bringing it closer to the Slovak case. However, Latvian private companies engage in different types of activities than Czech or Slovak businesses (see below).

In terms of the thematic fields in which the private sector participates, it is obvious that these are linked mainly to the priorities of bilateral development assistance. In the case of three countries – Hungary, the Czech Republic, and Slovakia – these areas show strong correlation. Projects in the realms of water supply and sanitation, energy generation and supply, and agriculture feature highly in all three countries.

The situation in Latvia is different; due to the different priorities of Latvian bilateral ODA, projects include strengthening civil society (which sounds a bit paradoxical), capacity building, general education, business and commercial management training, European integration and business environment issues, i.e. exclusively “soft” projects.

Due to the limited information available on business participation in development projects,

it is difficult to draw conclusions as to the main obstacles related to the sustainability of private sector involvement. One problem acknowledged in the Czech case is that it is rather difficult to ensure commercial follow-up.

For instance, if a project consists of supplying certain services or goods to the local authority, financed by development funds, the company delivering such goods or services expects that the delivery might continue and be financed by the recipient country or local authority once the development funding is finished. However, local actors often lack the funds to do so, or another donor simply steps in to provide the services for free. (This has been mentioned particularly in the case of Ethiopia, where a multitude of donors makes commercial follow-up practically impossible.)

When it comes to participation in multilateral development projects (financed, for example, by the EU or the World Bank), even Czech and Slovak businesses face huge obstacles in terms of their capacity. This is due mainly to their inability to provide previous references or to have sufficient turnover, which is often a formal condition for participation in tenders. As a result, for instance, Czech civil society organisations have been a lot more successful in winning EU grants and tenders than businesses.

This problem is also acknowledged in the Estonian report, but is largely attributed to the fact that the Estonian administration does not lobby sufficiently within the circle of multilateral development aid providers. Thus, so far the main mode of involvement remains participation in international consortia led by more established applicants; this is particularly the case in Latvia. However, it is quite clear that the participation of business in multilateral projects is way below its potential across the whole region.

THE ROLE OF THE PRIVATE SECTOR IN RECIPIENT COUNTRIES’ DEVELOPMENT IN A BROADER SENSE

The private sector can also contribute to the development of recipient countries indirectly, through various activities or operations that are

not directly linked to development co-operation, but nevertheless can contribute to the same goals and objectives.

The scale of business activities with the potential to exert a positive impact on recipient countries' development is wide. The areas cited in the reports include trade, investment, public-private partnerships, transfer of know-how, infrastructure building, human capital development, and corporate social responsibility.

Private entities' investment in recipient countries has a huge potential for enhancing their development, as it is directly linked to job creation, transfer of technology and know-how, hiring of local producers and suppliers, and improvement of local infrastructure. However, the problem is that many Central and Eastern European private entities are hesitant to invest in recipient countries for various reasons, including political instability, high levels of corruption and nepotism, an unpredictable economic and legal milieu, different business practices, and lack of contacts.

On the other hand, the fact that many of the priority recipient countries are indeed geographically, culturally and linguistically close somewhat counterbalances this problem. Even when it comes to low-income countries, many Central and Eastern European countries had vivid business contacts with these areas during the Communist era. Although these territories were largely abandoned in the 1990s, some countries, notably but not exclusively Hungary and the Czech Republic, are now trying to "re-conquer" these markets.

Private sector investment and provision of employment opportunities

In the absolute majority of the country studies, it is evident that the companies that establish themselves in recipient countries use the local workforce, as well as local suppliers of goods and services. The exception is Hungarian companies, which display a rather low rate

of co-operation with local economic subjects as well as low levels of hiring the local workforce. (However, it has to be noted that the representativeness of the questionnaire survey is questionable in all the countries surveyed.)

This is probably partially explicable by the so-called "tied-aid" system, which conditions the provision of development aid on the supply of Hungarian products and services in the recipient countries.

CEE employers in recipient countries often use full-time contracts; the use of part-time contracts is scarce. In some cases, the use of short-term or seasonal contracts has been reported, as in the case of Latvian companies operating in Belarus.

A different situation was reported in the case of Slovakia, where the majority of companies surveyed use a specific type of service contract. Full-time contracts are usually preferred by larger companies operating in recipient countries. The provision of employment contracts often brings additional benefits, such as social and health insurance, food vouchers, and in some cases schooling and re-qualification.

However, it cannot be discerned from the survey whether these extra benefits are provided because it is required by local legislation, or they represent benevolence on the part of the private businesses operating in the recipient countries.

A factor often identified as an obstacle to enhancing the private sector's capacity to do business and invest in recipient countries is the credit risk in relation to operations. This problem was reported in the cases of Bulgaria, Hungary, and Estonia.

In the Estonian case, it was pointed out that although a support and guarantee scheme exists (provided by KredEx), the procedure is too cumbersome and does not cover many trade and development sectors, deterring many potential investors from operating in recipient countries. In the case of Hungary, the tied-aid policy makes export credit and insurance highly competitive and arguably hampers the larger

involvement of the private sector in business activities in recipient countries.

Corporate social responsibility

The research has also shown that Central and Eastern European businesses attach relatively little importance to corporate social responsibility (CSR) in relation to their business activities in recipient countries. If CSR activities are implemented, it is often in the form of transition investments – for instance, when an international corporation invests in a recipient country through its branch based in a CEE country.

However, even here some positive examples can be found. The Estonian report mentions the case of Reet Aus, a fashion designer, who helped the largest Bangladeshi fabric and garment producer reduce textile waste by launching a collection of recycled clothes made with a reduced amount of water and energy per garment.

Other examples linked to CSR, although indirect, include the Polish branch of BP, which in co-operation with Polish Humanitarian Action linked its loyalty programme to the provision of meals for malnourished children in Africa, and Polskie Zdroje, which enabled the construction of wells in Southern (now South) Sudan as part of its marketing strategy.

Generally speaking, however, CSR is still a relatively new and underdeveloped phenomenon in the entrepreneurial scene of the CEE region, and thus it is understandable that companies do not have a tendency to “export” it to other countries. Linking the image of the company to its activities in support of development in less developed countries does not seem to be attractive in some cases, as articulated in the Polish report. On the other hand, the Czech report states that such activities could improve the image of certain companies among Czech citizens.

THE PRIVATE SECTOR AS A CO-FUNDER OF DEVELOPMENT ACTIVITIES

It is also quite telling that the reports do not include cases when the private sector would act as a funder or co-funder of development activities. The Slovenian report mentions the fact that the role of the private sector in this respect is undervalued, and more could be achieved through a closer involvement of the private sector in public-private partnerships (PPP), whereby businesses would invest some of their own funds into development co-operation projects.

This is explicable by several factors. Development policy is still relatively new and not well anchored in CEE countries’ discourse. Private entities are more often than anyone else unaware of its goals and instruments, apart from a few isolated cases when they participate in the implementation of ODA projects and, in the sole case of the Czech Republic, also in policy planning and evaluation. Even this involvement is confined to a relatively small group of enterprises, and is not representative of the corporate sector as such. This has been confirmed by surveys across the region.

Furthermore, private companies are still mainly motivated by generating profit, so engagement, let alone funding or co-funding of development-related activities, would require a kind of mental shift on the part of the corporate sector, which will be hard to achieve in the short run.

3. The role of civil society as a development actor in Central and Eastern Europe

This chapter strives to draw a complex picture of what role civil society plays in the international development co-operation policy of nine countries of Central and Eastern Europe: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, Slovakia, and Slovenia. It is based on individual research papers that were prepared in each respective country.

THE UNIQUE ROLE OF CIVIL SOCIETY IN CENTRAL AND EASTERN EUROPEAN COUNTRIES AND PARTICULAR CHALLENGES

In all the countries where the role of civil society was examined, there is a common understanding and recognition that civil society is a crucial actor in international development co-operation. This fact is acknowledged by both civil society itself and government representatives.

This is also standard practice in other developed countries, where civil society is usually one of the driving forces of development policy, participating in policy design and execution, education on global issues, and exerting effective pressure on governments to increase their commitments to developing countries, take actions at the global level, or shape development policy in one way or another.

The special importance of non-governmental development organisations (NGDOs) in Central and Eastern European countries is underlined by the fact that they have often been ahead of their governments. Such organisations often emerged before the countries of the region accepted international commitments as donor countries. They made use of funding available

from various international donors to participate in development projects and to bring global issues to the attention of national policymakers and publics.

However, unlike their western counterparts, they have to face multiple challenges: a low general awareness of global development issues within their countries, low levels of comprehension as to why their countries should help less prosperous countries, underfinancing of the sector, and low capacity to perform many of the tasks more established development civil society organisations take for granted.

DIVERSITY OF ORGANISATIONS ACROSS THE REGION

The NGDO scene across Central and Eastern Europe is highly diversified. However, several main groups of entities that deal with international development co-operation can be identified, based on a combination of certain criteria.

The first group of NGDOs is composed of faith-based organisations. These are traditionally engaged in natural and man-made disaster relief and humanitarian actions, but their scope of operations is not necessarily limited to these. Their advantage is that they are usually very well connected internationally by having co-operated with their sister organisations in more established donor countries (for instance, Slovak charities often started to operate in Africa along with Austrian ones). They often operate in various areas of the world, beyond the priority recipient countries for the region.

Secondly, we find examples of “typical” NGDOs that work on a complex set of development issues beyond the limited scope of their home countries’ priorities, and for whom development co-operation is the sole or main *raison d’être*. These organisations are more typical for bigger countries of the region that also have a more established tradition of development aid provision, such as Poland, Hungary, and the Czech Republic, and are less numerous. In some cases, they are almost on par or comparable with their western counterparts.

With huge budgets and manpower (e.g. People In Need in the Czech Republic and Polish Humanitarian Action), they are more successful in bidding for international projects, as well as very active in influencing the national and international evolution of development policy.

Thirdly, there is a set of organisations engaged in a segment of development co-operation typical for Central and Eastern Europe: transition experience, using know-how generated during the EU accession process and democratic transformation.

These organisations often build on their own experience and capacities developed during their countries' transition and are thus capable of transferring it to other countries. These are usually smaller than classical multi-issue development NGOs. They tend to operate in areas geographically referred to as the close EU neighbourhood, mainly the Western Balkans and the ex-Soviet Union, because these are the regions where it is assumed that the Central European experience is most transferable.

Finally, there are organisations not exclusively focused on development co-operation, but for whom it represents only one part of their portfolio. This is quite a diversified group in itself, and typically involves single-issue organisations (e.g. gender equality, healthcare) who often work nationally as well, organisations engaged in global education and awareness raising on development issues (working mainly nationally), and organisations and think-tanks researching development issues. Arguably, this is the most typical group of the Central European development sector of civil society.

NATIONAL NGDO PLATFORMS IN PLACE IN ALL THE COUNTRIES

It should also be noted that the NGDO sector in Central and Eastern Europe is organised into national platforms, thus reflecting the practice in other EU countries. Such platforms nowadays exist in all the countries surveyed. All the national platforms are members of CONCORD, the EU-wide umbrella organisation of NGDOs active in development-co-operation and humanitarian

aid. The size varies, which is natural given the different sizes of countries and their sectors.

What is quite striking is that in the case of Hungary, which has quite a large and diversified NGDO scene, only 16 organisations are full members of the Hungarian platform organisation HAND, fewer than in much smaller Estonia (AKÜ with 21 members) or Latvia (LAPAS with 30 members).

In fact, HAND is not the only platform of development co-operation organisations in Hungary; Hungarian organisations active in Africa founded their own platform known as the Hungarian Africa Platform, although there are some overlaps with HAND. This poses questions about the representativeness of this platform, and to what extent it could serve as an institutional partner to the MFA, given that the number of Hungarian organisations engaged in development co-operation is much larger (about 60).

A similar situation has emerged in the Czech Republic, which also has two platforms: one of which (FORS) gathers "typical" development NGDOs, whilst the other (DEMÁS) encompasses organisations active in the area of democracy promotion and human rights. This is explicable by the specificity of the Czech case, where democracy promotion and transition activities are decoupled from other development activities, such as poverty eradication and sustainable development. However, these cases are rather exceptional. Otherwise the national platforms are fairly representative of the development sector in the respective countries.

Most of the development platforms are recognised as an institutional partner of the administration (especially Ministries of Foreign Affairs) in issues relating to development co-operation. In the majority of cases, they also receive some kind of core operational grant from the MFA; an exception is LAPAS in Latvia. This leads to a paradoxical situation whereby LAPAS is competing for funds with its members. In the Slovak case, it is also recognised that the core grant the Slovak platform receives from the MFA is not such that the organisation is free to use the funds at its discretion.

The platform organisations typically provide services and capacity building to their members, but also engage in educational and awareness-raising activities nationally, as well as undertake advocacy vis-à-vis governments on development policy issues. But the considerable internal heterogeneity of the platforms, with bigger multi-issue organisations as well as rather small ones, sometimes makes it difficult to articulate a strong position towards the government, thus resulting in positions reduced to the lowest common denominator.

In some cases, the emergence of the platforms was perceived as more of a top-down process (e.g. in Hungary or Estonia, where they emerged as a result of capacity-building exercises financed by external donors). Thus an argument can be made that NGO platforms still need a clearer strategy in terms of what they want to achieve, and tangible advocacy goals.

INVOLVEMENT IN THE DEVELOPMENT POLICY CYCLE STILL INSUFFICIENT

The key role of NGOs is often recognised in the national legislation on development co-operation, or related strategic documents. These describe civil society as a key partner in the process of development policy planning, implementation and evaluation, and provide a framework for its involvement.

However, as the research has shown, the practice varies greatly across the region. While in some countries the system of civil society input into the policy cycle continues to exist mainly only on paper (which is, for instance, the case in Bulgaria and Romania), in others civil society has provided substantive input into policy debates.

The Czech Republic, Poland, and Slovenia represent the most advanced cases in terms of dialogue with the government. The Czech platform FORS holds regular consultations on major policy documents regarding development policy, participates in the Council on International Development Co-operation, and enjoys very good informal contacts with MFA officials. At the moment, it is preparing an input

into the mid-term review of the Development Co-operation Strategy for the 2010-17 period. There has also been a movement of personnel between the administration (particularly the MFA) and the civil society sector, which makes mutual contacts and comprehension easier.

However, when it comes to lobbying at the top political level, for instance on issues of the overall ODA budget, even FORS recognises that its leverage is rather limited. In the case of Poland, a regular mechanism of consultation was put firmly in place in 2011, following the enactment of the international development co-operation legislation. Civil society also played a major role in terms of providing input into the bill and currently plays a major role in monitoring the system of Polish development assistance, the analytical aspect of which was greatly expanded in the 2012 report.

Despite intensified contacts and the passing of the international development co-operation law, Polish NGOs highlight that many of their criticisms regarding the new institutional arrangements were not taken into account.

The Slovenian NGO platform SLOGA is engaged in the discussion on the formalisation and strengthening of the dialogue between civil society and government, which was due to be formalised in the spring of 2013.

However, the survey has shown that NGOs across the region still consider their involvement in development policy formulation to be insufficient with low impact. The feeling is that, despite official declarations, they are not treated as partners by the government. Underscoring this fact is another problem that was mentioned in the Romanian and Slovak reports, namely the frequent fluctuation of officials dealing with development assistance, which makes it harder to engage in regular working consultations. The difficulties of engaging in policy dialogue are also underpinned by the generally low level of awareness of development issues among policymakers.

Some of the organisations are involved in advocacy activities, mainly at the national level, aiming to influence the course of national

development policy, mainstream development issues in the curricula, or secure more ODA funding. International and EU advocacy is not very common, firstly as there is a perception that it is necessary to focus primarily on domestic policy framing, and secondly due to a lack of experience or capacity on the part of many of the NGOs.

On the other hand, some opportunities for EU advocacy arise with the rotating Presidency of the EU Council. Thus LAPAS has lobbied for turning the year 2015 (the Latvian EU Council Presidency takes place in the first six months of 2015) into a European Year of Development Co-operation, as the Millennium Development Goals will expire then. Increased activity can also be traced during the Polish EU Council Presidency in 2011, especially through the activities of Polish Humanitarian Action (PAH).

The aim of changing the public discourse through advocacy was also mentioned in the reports, although it can be assumed that this is linked more to awareness raising rather than advocacy activities. However, most of these advocacy activities are undertaken on ad hoc basis, as few organisations have the capacity to engage continuously. The Hungarian report stresses that for many Hungarian NGOs this is an either/or dilemma: if they decide to engage in traditional development, there is no scope to engage in advocacy.

It is not uncommon for advocacy work to be performed jointly with, or conferred on, the above-mentioned national platforms, which seem to possess greater legitimacy speaking on behalf of the sector (as in the aforementioned case of LAPAS) and better capacities; some of them have created permanent posts for policy or advocacy officers. Many organisations also realise that advocacy has to be substantiated with solid and reliable research, so they have worked towards increasing their research capacities.

For instance, Grupa Zagranica, the Polish national NGO platform, started to produce a regular series of policy briefs, *Opinions, Debates, Analyses*. Similarly, the Czech FORS platform gathers think-tanks researching

development issues, such as Glopolis and the Institute of International Relations, which can provide substantive input into FORS's advocacy work.

GEOGRAPHICAL FOCUS OF CIVIL SOCIETY ORGANISATIONS NOT LIMITED TO THE CLOSER NEIGHBOURHOOD

When examining the radius of operations of Central and Eastern European civil society organisations, the particular development policy focus of the CEE governments leads to the expectation that civil society organisations would be active in the areas of the Western Balkans and the former Soviet Union. It is true that this area remains the main focal point for CEE NGOs, but it is far from an exclusive one.

For instance, Hungarian development organisations have performed projects in 76 countries across the globe. Similarly, Czech, Slovak, and Polish NGOs have performed projects in many countries of sub-Saharan Africa, Asia, and Latin America. Even organisations in smaller countries with little previous experience with development co-operation (or contacts with the less developed world from the Communist era), such as Estonia and Slovenia,⁶ have been active well beyond the EU neighbourhood. This shows that the Central and Eastern European civil society sector is able to operate beyond the "usual suspects" and attract funding from other donors besides the national ODA budgets.

It is mainly humanitarian and disaster relief organisations that enlarge the geographical scope of operations. For this reason, CSOs from countries without a strong tradition or capacity for disaster relief, such as Latvia,⁷ are likely

⁶ Estonian NGOs have been active in Afghanistan, Tajikistan, Ghana, Kenya, Uganda, Palestine, Tunisia, Nepal, Thailand, Mozambique, Angola, Malawi, Guinea Bissau, etc. The survey among Slovenian NGOs revealed that 65% of them undertook activities in Africa and 50% in Asia, as opposed to 45% in the Western Balkans and 35% in other European countries.

⁷ According to the Latvian report, there is no organisation working in the field of humanitarian aid or disaster relief in Latvia.

to show a more limited geographical span of operations.

One additional limiting factor is the scarcity of diplomatic representation in less developed countries. This is becoming challenging even for the bigger donor countries, some of which – such as Poland and the Czech Republic – are closing down their embassies in sub-Saharan Africa. This might decrease Polish and Czech NGOs' appetite to continue activities in countries where they no longer can rely on their countries' diplomatic support. Ensuring coherence between diplomatic representation and development priorities is naturally of paramount importance.

PREVALENCE OF EDUCATION AND AWARENESS RAISING AMONG CENTRAL EUROPEAN NGDOS' ACTIVITIES

The rather distinct nature of the development co-operation discourse in Central and Eastern European countries explains why global education and awareness raising feature high on the agenda of NGOs. In many of these countries, the general public is not very receptive or sensitive to, let alone informed about, issues such as poverty eradication or sustainable development. The mental shift from perceiving themselves as poor nations and recipients of aid to perceiving themselves as members of the rich countries' club has still not taken place in most of these societies. This situation has obviously been aggravated by the economic and financial crisis.

For this reason, bringing about a change in the prevailingly negative discourse, or the absence of global development issues therein, is a focus of many of the NGOs in the region. This focus is further reinforced by the fact that in terms of financing and human resources it is less demanding to undertake these activities than to implement complex development projects.

A large majority of CSOs target their awareness raising at young people, where they probably see a greater potential for bringing about

a change in public perceptions through a potentially larger spillover effect among the young generation, their easier access to additional sources of information (especially the internet), and perhaps also their more global outlook. However, opinion leaders, educators and policymakers are also important targets of these campaigns.

The means to raise public awareness about development issues vary, and include ad hoc media coverage, publication of information bulletins and newsletters, and public and charitable events. In some cases, examples of broader campaigns in support of development issues have been accounted for, such as the "Czechia against poverty" campaign, which is part of the Global Action against Poverty campaign, and which employed a variety of means, including media coverage, a website, and a multitude of related events, supported by numerous Czech as well as global celebrities.⁸

The global education and awareness-raising activities take place mainly at the national level, and the research has illustrated that far fewer organisations undertake such activities in the recipient countries. Notwithstanding the importance of these endeavours, it begs the question of development co-operation efficiency and brings us back to square one in terms of the insufficient funding and capacity of the majority of CEE NGOs to deliver classical development activities.

As for actions undertaken by civil society organisations in the recipient countries, they vary according to the size and scope of operations of each organisation. But the general prevalence is of educational and training activities, capacity building, technical assistance, and transfer of know-how, reflecting a more typical regional expertise. Issues such as poverty reduction, health and sustainable development are far less prevalent, and mainly implemented by large multi-issue NGOs, as these can afford to establish missions in recipient countries, which

⁸ For more information about the campaign, please refer to: <http://ceskoprotichudobe.cz/en>. Among world-famous celebrities, the campaign is supported, for instance, by Salma Hayek, George Clooney, Penelope Cruz, Antonio Banderas or Emma Thompson.

is an indispensable condition of more complex development projects. However, it cannot be discerned whether the training and capacity building thematically cover also traditional development issues.

THE VICIOUS CIRCLE OF LACK OF FUNDING AND INSUFFICIENT CAPACITY

The research has illustrated that the two major challenges for the efficient functioning of the civil society sector in development co-operation are:

- the difficulty of accessing funding; and
- the lack of human capital.

What explains the underfunding of the Central and Eastern European NGDO sector?

The funding survey has shown a dominant dependence of most NGDOs on two sources of funding: private donations and government funding, which together represent the bulk of financing for most organisations. Corporate funding for development activities is still rare across the region owing to generally low awareness of development issues among the private sector, as something that is very much detached from the economic reality of Central Europe. Thus private funding in large part comes from private foundations based mainly in Western Europe, the USA, and other rich countries.

Individual donations are also on the rise, but this can be attributed mainly to organisations working in humanitarian and disaster relief which have been increasingly successful in raising funds through SMS donations and special donor accounts opened in response to natural disasters such as earthquakes, floods or tsunamis in various regions of the world. Individual philanthropy for classical development projects is much less developed in the region, apart from a few exceptions such as

“virtual” adoptions of children or organisations working in Africa (e.g. in Hungary).

The more established NGOs have developed innovative ways of attracting individual philanthropy, such as the online sale of products from developing countries (such as the Czech NGO SIRIRI, which works in the Central African Republic), and the increasingly popular address of small donors through new social media.

As for government funding, it also proves to be difficult to obtain. Firstly, the overall level is relatively small. This creates fierce competition for limited funds, often leading to a race-to-the-bottom approach that forces organisations to cut down project budgets. This makes the situation especially difficult for small organisations. In some countries, such as Bulgaria or Romania, development organisations have, at least until recently, not enjoyed access to national ODA funding at all, relying solely on funding from international and private donors. In other cases, such as Slovakia, CSOs rely heavily on funding from the Slovak government, which makes them rather hostage to the official direction of SlovakAid.

Secondly, CSOs in the region often complain about the lack of flexibility of government funding and the bureaucratic procedures attached to it, which makes their lives even more difficult. More transparency and predictability in the process could definitely be envisaged. For instance, a good model would be the Project Cycle Manual, published by the Czech Development Agency in 2011, which sets a uniform methodology and template for the preparation, planning, and management of Czech bilateral ODA projects.

Thirdly, the necessity of co-financing for most of the government funding for projects often represents an insurmountable challenge, especially for smaller NGDOs, although this problem is even more acute in the case of EU-funded projects.

EU funding is often perceived to lie beyond the reach of many Central and Eastern European NGOs, although in some cases (e.g. the

Czech Republic) the organisations have been increasingly successful in EU projects and tenders.

The unattainability of EU funding is attributed to two factors. Firstly, many organisations lack the capacity to apply for EuropeAid projects (because of a lack of project references) or the capacity to manage them (because their personnel is already overstretched). Secondly, there is the problem of co-funding, which is required for almost all EuropeAid projects. This can often not be secured, which results in situations such as when a Latvian NGO had to withdraw from a project on increasing women's entrepreneurial capacity in Belarus because it could not raise the extra funds.

An interesting way of tackling this problem was introduced in the Czech Republic, and could also serve as a kind of good practice. The Czech Development Agency reserves a certain portion (approximately € 1.1 million) of the ODA budget for so-called trilateral projects, and the same scheme is in place for democracy assistance and transition projects (administered directly by the MFA). This means that if a Czech NGO succeeds in a EuropeAid tender, it can apply for co-funding under the ODA scheme.

While this partially explains why Czech NGOs have been more successful than others in bidding for EU funds, the truth is that this funding is not automatic (there is an annual call for proposals), and in the past two years the amount of funds available has been significantly lower than the number of proposals, at least under the Czech Development Agency calls.

Capacity problems: how to keep staff in times of crisis?

The problems with funding feed into the problem with staffing, which endangers the long-term sustainability and further growth of NGOs. This problem was reported by an absolute majority of organisations surveyed.

Many organisations pointed to the problem of large staff fluctuations and burn-out syndrome,

whereby the huge workload imposed on their employees usually results in a loss of motivation. NGO staff often have to engage in all the organisation's activities, from fundraising and proposal writing to project implementation and reporting, and additional activities such as public relations, education, advocacy, and awareness raising.

The Polish report enumerates the ways in which organisations try to tackle the issue of high fluctuation and burn-out: the use of specific incentives tailored to staff needs and expectations, a clearer distinction between permanent staff and collaborators, and a horizontal pay scheme whereby all employees are engaged in revenue generation, linking their personal situation to the overall performance of the organisation.

Another problem is that many organisations cannot afford to keep full-time staff, which grossly endangers their long-term viability. Part-time and especially project-contracted staff are prevalent in the cases of most organisations surveyed.

Organisations across the region also rely heavily on volunteers in performing their tasks. While this is quite normal in the development co-operation business, the striking pattern is that a large number of organisations use volunteers for tasks that should be performed mainly by professional staff, such as training and capacity building, advocacy, and fundraising. Although the use of volunteers is quite adequate for some fundraising activities, e.g. collecting donations, the research does not account for what kind of fundraising activities volunteers are engaged in, leading to the distinct possibility that at least some of the organisations also use volunteers in face-to-face meetings and for project proposal writing.

Some NGOs, however, have developed ways of tackling the issue of staff funding. The Polish report specifically accounts for two possible solutions. One is the so-called "solidarity bag", whereby part of the overheads is transferred to a special fund allowing for the payment of a basic salary once there are no projects to finance the salaries. This model is applicable to

organisations that employ mainly project-based staff, but more or less permanently.

Another solution is a flexible salary, which is tied to a uniform rate that can be adjusted according to the actual situation and project funding, either downward or upward. Another good example would be the case of the Czech Republic, where the Czech Development Agency has a programme of capacity building for Czech NGOs which can finance the salaries of permanent staff.

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